

**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

City of Benton, Arkansas

Regulatory Basis Financial Statements,  
Supplementary Information and Other Reports

For the Years Ended December 31, 2013 and 2012

City of Benton, Arkansas  
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Financial Statements	
Combined Balance Sheets - Regulatory Basis	4-5
Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Regulatory Basis	6-7
Statements of Revenues and Expenditures – Budget and Actual – General Fund - Regulatory Basis	8-9
Statements of Revenues and Expenditures – Budget and Actual – Street Fund - Regulatory Basis	10-11
Notes to Financial Statements	12-26
Supplementary Information	
Schedule of General Fund Expenditures by Department – Regulatory Basis - 2013	27-28
Schedule of General Fund Expenditures by Department – Regulatory Basis - 2012	29-30
Combined Balance Sheet – Street Fund – Regulatory Basis – 2013	31
Combined Balance Sheet – Street Fund – Regulatory Basis – 2012	32
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Street Fund – Regulatory Basis – 2013	33
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Street Fund – Regulatory Basis – 2012	34
Combined Balance Sheet – Other Funds in the Aggregate – Regulatory Basis – 2013	35-36
Combined Balance Sheet – Other Funds in the Aggregate – Regulatory Basis – 2012	37-38
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis – 2013	39-40
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis – 2012	41-42
Schedule of Capital Assets	43
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Independent Auditors' Report on Compliance with Certain State Acts	46-47

**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable Mayor and City Council  
City of Benton, Arkansas

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Benton, Arkansas, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas code, as described in Note 1(B) and 1(C), to meet the requirements permitted by the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1(B) and 1(C) to the financial statements, to meet the financial reporting requirements permitted by the State of Arkansas, the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas code, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Arkansas Code.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1(B) and 1(C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Benton, Arkansas, as of December 31, 2013 and 2012, and the respective changes in financial position for the years then ended.

#### **Basis for Adverse Opinion on Regulatory Basis of Accounting**

The utilities fund has not been included in the City's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas code requires the utility fund to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, revenues, and expenditures. The amount by which this departure would affect the assets, liabilities, revenues, and expenditures of the other funds in the aggregate column is not reasonably determinable. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1 (B) and 1(C).

#### **Adverse Opinion on Regulatory Basis of Accounting**

In our opinion, because of the omissions described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in conformity with regulatory basis of accounting, as described in Note 1(B) and (C), the financial position of the other funds in the aggregate of the City, as of December 31, 2013 and 2012, and the regulatory basis revenues, expenditures, and changes in net position for the years then ended.

#### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund and street funds of the City of Benton, Arkansas, as of December 31, 2013 and 2012, and the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general and street funds for the years then ended in accordance with the financial reporting provisions of the Arkansas code described in Note 1(C).

#### **Supplementary and Other Information**

Our audits were conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the City of Benton, Arkansas' basis financial statements. The supplementary information on pages 27 through 43 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, because of the effects on the financial information in the supporting schedules of the omissions discussed above, such information is not presented fairly in all material respects in relation to the financial statements taken as a whole. The supplementary information in the schedule of capital assets is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, express no opinion on the schedule of capital assets.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Yokum, Howell & Co., P.C.*  
Certified Public Accountants

Benton, Arkansas  
May 15, 2014

City of Benton, Arkansas  
Combined Balance Sheet - Regulatory  
Presentation - Modified Accrual Basis  
December 31, 2013

<b>Assets</b>	<b>General Fund</b>	<b>Street Fund</b>	<b>Other Funds in the Aggregate</b>
<b>Assets</b>			
Cash and Equivalents:			
Unassigned	\$ 1,509,691	\$ 3,050,503	\$ 1,567,374
Council Committed	541,211	154,850	2,864
Restricted	196,478	3,113,946	4,070,069
Investments-Restricted			13,931,711
Other Receivables	10,018	6,847	1,174,872
Due from Other Funds	205,000		
Prepaid Expenses	53,587	11,580	16,634
<b>Total Assets</b>	<b><u>\$ 2,515,985</u></b>	<b><u>\$ 6,337,726</u></b>	<b><u>\$ 20,763,524</u></b>
 <b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 264,568	\$ 161,793	\$ 538,970
Accrued Compensation	267,332	21,007	16,978
Due to Other Funds	14,221	2,569	2,055
Assets Held in Trust			16,357,420
<b>Total Liabilities</b>	<b><u>546,121</u></b>	<b><u>185,369</u></b>	<b><u>16,915,423</u></b>
 <b>Fund Balances</b>			
Restricted for Debt Service			1,047,256
Restricted for Capital Outlay		3,063,412	1,280,191
Restricted for Other Activities	196,478		2,305
Unrestricted:			
Committed	541,211	158,064	2,864
Unassigned	1,232,175	2,930,881	1,515,485
<b>Total Fund Balances</b>	<b><u>1,969,864</u></b>	<b><u>6,152,357</u></b>	<b><u>3,848,101</u></b>
 <b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,515,985</u></b>	<b><u>\$ 6,337,726</u></b>	<b><u>\$ 20,763,524</u></b>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Combined Balance Sheet - Regulatory  
Presentation - Modified Accrual Basis  
December 31, 2012

<b>Assets</b>	General Fund	Street Fund	Other Funds in the Aggregate
<b>Assets</b>			
Cash and Equivalents:			
Unassigned	\$ 1,042,542	\$ 2,077,906	\$ 1,863,822
Council Committed	809,774	74,254	2,860
Restricted	86,396	4,477,666	9,735,517
Investments-Restricted			15,654,327
Other Receivables	5,841	189,399	1,702,752
Due from Other Funds			5
Prepaid Expenses	49,817	11,410	16,624
<b>Total Assets</b>	<u><u>\$ 1,994,370</u></u>	<u><u>\$ 6,830,635</u></u>	<u><u>\$ 28,975,907</u></u>
 <b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 204,131	\$ 160,630	\$ 1,217,550
Accrued Compensation	264,641	19,276	26,290
Due to Other Funds	14,088	4,914	27,663
Assets Held in Trust			17,252,958
<b>Total Liabilities</b>	<u><u>482,860</u></u>	<u><u>184,820</u></u>	<u><u>18,524,461</u></u>
 <b>Fund Balances</b>			
Restricted for Debt Service			1,054,866
Restricted for Capital Outlay		4,428,621	7,590,586
Restricted for Other Activities	86,396		3,655
Unrestricted:			
Committed	809,774	159,027	2,860
Unassigned	615,340	2,058,167	1,799,479
<b>Total Fund Balances</b>	<u><u>1,511,510</u></u>	<u><u>6,645,815</u></u>	<u><u>10,451,446</u></u>
 <b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,994,370</u></u>	<u><u>\$ 6,830,635</u></u>	<u><u>\$ 28,975,907</u></u>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Regulatory Presentation - Modified Accrual Basis  
For the Year Ended December 31, 2013

	General Fund	Street Fund	Other Funds in the Aggregate
Revenues			
Tax Revenues	\$ 2,343,471	\$ 2,217,268	\$ 9,376,532
Bonds, Fines and Fees	679,806		955,391
Permits and Licenses	323,473	103,164	
Federal and State Grants	194,873	393,190	3,081,212
Interest	1,839	8,266	9,562
Other	623,842	60,341	147,906
Total Revenues	<u>4,167,304</u>	<u>2,782,229</u>	<u>13,570,603</u>
Expenditures			
Human Resources	8,410,296	667,270	626,028
Operations and Maintenance	717,206	470,894	335,214
Utilities	92,628	12,648	26,284
Outside Services	847,175	39,424	299,424
Educational/Professional	195,171	2,954	11,257
Capital Outlay	1,038,720	2,473,568	11,775,682
Principal Payments			744,675
Interest Payments			339,337
Total Expenditures	<u>11,301,196</u>	<u>3,666,758</u>	<u>14,157,901</u>
Excess (Deficit) of Revenues over Expenditures	<u>(7,133,892)</u>	<u>(884,529)</u>	<u>(587,298)</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets	30,773		397,330
Transfers In	8,153,652	1,381,648	3,613,598
Transfers Out	(592,179)	(990,577)	(10,026,975)
Total Other Financing Sources and (Uses)	<u>7,592,246</u>	<u>391,071</u>	<u>(6,016,047)</u>
Changes in Fund Balances	458,354	(493,458)	(6,603,345)
Fund Balances at Beginning of Year	<u>1,511,510</u>	<u>6,645,815</u>	<u>10,451,446</u>
Fund Balances at End of Year	<u><u>\$ 1,969,864</u></u>	<u><u>\$ 6,152,357</u></u>	<u><u>\$ 3,848,101</u></u>

The accompanying notes are an integral part of these financial statements.



City of Benton, Arkansas  
Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Regulatory Presentation - Modified Accrual Basis  
For the Year Ended December 31, 2012

	General Fund	Street Fund	Other Funds in the Aggregate
Revenues			
Tax Revenues	\$ 2,236,053	\$ 2,020,586	\$ 8,853,905
Bonds, Fines and Fees	787,948		843,326
Permits and Licenses	298,317	100,102	
Federal and State Grants	170,777	444,039	3,898,628
Interest	2,140	7,670	24,477
Other	340,899	63,079	148,955
Total Revenues	<u>3,836,134</u>	<u>2,635,476</u>	<u>13,769,291</u>
Expenditures			
Human Resources	8,478,291	656,088	647,594
Operations and Maintenance	813,557	532,556	418,436
Utilities	88,147	10,533	30,926
Outside Services	913,564	16,868	330,971
Educational/Professional	166,902	2,885	7,882
Capital Outlay	247,974	1,260,344	6,714,575
Principal Payments			1,308,662
Interest Payments			41,107
Total Expenditures	<u>10,708,435</u>	<u>2,479,274</u>	<u>9,500,153</u>
Excess (Deficit) of Revenues over Expenditures	<u>(6,872,301)</u>	<u>156,202</u>	<u>4,269,138</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets	14,324		
Proceeds From Debt		3,560,000	7,815,000
Bond Discount And Issue Costs		(127,863)	(237,155)
Transfers In	7,834,844	2,301,066	4,704,082
Transfers Out	(611,886)	(3,399,306)	(9,232,585)
Total Other Financing Sources and (Uses)	<u>7,237,282</u>	<u>2,333,897</u>	<u>3,049,342</u>
Changes in Fund Balances	364,981	2,490,099	7,318,480
Fund Balances at Beginning of Year	<u>1,146,529</u>	<u>4,155,716</u>	<u>3,132,966</u>
Fund Balances at End of Year	<u>\$ 1,511,510</u>	<u>\$ 6,645,815</u>	<u>\$ 10,451,446</u>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Statement of Revenues and Expenditures - Budget and Actual -  
General Fund - Regulatory Presentation - Modified Accrual Basis  
For the Year Ended December 31, 2013

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,220,762	\$ 2,343,471	\$ 122,709
Bonds, Fines and Fees	757,525	679,806	(77,719)
Permits and Licenses	269,560	323,473	53,913
Federal and State Grants	236,601	194,873	(41,728)
Interest	1,200	1,839	639
Other	208,723	623,842	415,119
Total Revenues	<u>3,694,371</u>	<u>4,167,304</u>	<u>472,933</u>
Expenditures			
Human Resources	8,966,039	8,410,296	555,743
Operations and Maintenance	759,004	717,206	41,798
Utilities	194,751	92,628	102,123
Outside Services	1,004,326	847,175	157,151
Educational/Professional	198,248	195,171	3,077
Capital Outlay	412,726	1,038,720	(625,994)
Total Expenditures	<u>11,535,094</u>	<u>11,301,196</u>	<u>233,898</u>
Excess (Deficit) of Revenues over Expenditures	<u>(7,840,723)</u>	<u>(7,133,892)</u>	<u>706,831</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets	27,773	30,773	3,000
Transfers In	7,841,944	8,153,652	311,708
Transfers Out	(319,920)	(592,179)	(272,259)
Total Other Financing Sources and (Uses)	<u>7,549,797</u>	<u>7,592,246</u>	<u>42,449</u>
Change in Fund Balance	<u>\$ (290,926)</u>	<u>\$ 458,354</u>	<u>\$ 749,280</u>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Statement of Revenues and Expenditures - Budget and Actual -  
General Fund - Regulatory Presentation - Modified Accrual Basis  
For the Year Ended December 31, 2012

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,232,637	\$ 2,236,053	\$ 3,416
Bonds, Fines and Fees	775,864	787,948	12,084
Permits and Licenses	238,060	298,317	60,257
Federal and State Grants	275,939	170,777	(105,162)
Interest	4,500	2,140	(2,360)
Other	49,656	340,899	291,243
Total Revenues	<u>3,576,656</u>	<u>3,836,134</u>	<u>259,478</u>
Expenditures			
Human Resources	8,790,624	8,478,291	312,333
Operations and Maintenance	744,731	813,557	(68,826)
Utilities	214,817	88,147	126,670
Outside Services	1,058,619	913,564	145,055
Educational/Professional	170,851	166,902	3,949
Capital Outlay	335,062	247,974	87,088
Total Expenditures	<u>11,314,704</u>	<u>10,708,435</u>	<u>606,269</u>
Excess (Deficit) of Revenues over Expenditures	<u>(7,738,048)</u>	<u>(6,872,301)</u>	<u>865,747</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets	11,971	14,324	2,353
Transfers In	7,852,322	7,834,844	(17,478)
Transfers Out	(432,391)	(611,886)	(179,495)
Total Other Financing Sources and (Uses)	<u>7,431,902</u>	<u>7,237,282</u>	<u>(194,620)</u>
Change in Fund Balance	<u>\$ (306,146)</u>	<u>\$ 364,981</u>	<u>\$ 671,127</u>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Statement of Revenues and Expenditures - Budget and Actual -  
Street Fund - Regulatory Presentation - Modified Accrual Basis  
For the Year Ended December 31, 2013

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,066,446	\$ 2,217,268	\$ 150,822
Permits and Licenses	98,700	103,164	4,464
Federal and State Grants	570,913	393,190	(177,723)
Interest	9,600	8,266	(1,334)
Other	69,600	60,341	(9,259)
Total Revenues	<u>2,815,259</u>	<u>2,782,229</u>	<u>(33,030)</u>
Expenditures			
Human Resources	734,786	667,270	67,516
Operations and Maintenance	917,890	470,894	446,996
Utilities	27,600	12,648	14,952
Outside Services	69,742	39,424	30,318
Educational/Professional	4,035	2,954	1,081
Capital Outlay	4,899,556	2,473,568	2,425,988
Total Expenditures	<u>6,653,609</u>	<u>3,666,758</u>	<u>2,986,851</u>
Excess (Deficit) of Revenues over Expenditures	<u>(3,838,350)</u>	<u>(884,529)</u>	<u>2,953,821</u>
Other Financing Sources and (Uses)			
Proceeds from Debt			
Bond Discount and Issue Costs			
Transfers In	1,616,442	1,381,648	(234,794)
Transfers Out	(1,006,267)	(990,577)	15,690
Total Other Financing Sources and (Uses)	<u>610,175</u>	<u>391,071</u>	<u>(219,104)</u>
Change in Fund Balance	<u>\$ (3,228,175)</u>	<u>\$ (493,458)</u>	<u>\$ 2,734,717</u>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Statement of Revenues and Expenditures - Budget and Actual -  
Street Fund - Regulatory Presentation - Modified Accrual Basis  
For the Year Ended December 31, 2012

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,048,839	\$ 2,020,586	\$ (28,253)
Permits and Licenses	98,700	100,102	1,402
Federal and State Grants	934,068	444,039	(490,029)
Interest	5,400	7,670	2,270
Other	69,600	63,079	(6,521)
Total Revenues	<u>3,156,607</u>	<u>2,635,476</u>	<u>(521,131)</u>
Expenditures			
Human Resources	753,736	656,088	97,648
Operations and Maintenance	848,690	532,556	316,134
Utilities	27,000	10,533	16,467
Outside Services	24,296	16,868	7,428
Educational/Professional	3,985	2,885	1,100
Capital Outlay	3,086,183	1,260,344	1,825,839
Total Expenditures	<u>4,743,890</u>	<u>2,479,274</u>	<u>2,264,616</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,587,283)</u>	<u>156,202</u>	<u>1,743,485</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets			
Proceeds From Debt		3,560,000	3,560,000
Bond Discount And Issue Costs		(127,863)	(127,863)
Transfers In	2,523,692	2,301,066	(222,626)
Transfers Out	(2,753,692)	(3,399,306)	(645,614)
Total Other Financing Sources and (Uses)	<u>(230,000)</u>	<u>2,333,897</u>	<u>2,563,897</u>
Change in Fund Balance	<u>\$ (1,817,283)</u>	<u>\$ 2,490,099</u>	<u>\$ 4,307,382</u>

The accompanying notes are an integral part of these financial statements.

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 1: Summary of Significant Accounting Policies**

The City of Benton, Arkansas (the City) was incorporated on December 28, 1848, under the provisions of the State of Arkansas. The city operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety (police, fire, and animal control), streets, public improvements, culture-recreation, planning and zoning, and general administrative services. Other services include utilities.

The following is a summary of the significant accounting policies:

- A. **The Reporting Entity** – The City, for financial purposes, includes all of the funds relevant to the operations of the City. The utilities fund is not presented in this report. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.
- B. **Basis of Presentation – Regulatory Fund Accounting** – The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas code. Arkansas code requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of: a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and street fund; notes to the financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying financial statements:

- 1. General Fund – The general fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund heading, as it appears in the financial statements, includes the following funds: elected staff, legal, information technology, central communications, police, fire, community development, and professional technical.
- 2. Street Fund – The street fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for maintaining and constructing highways and streets.
- 3. Other Funds in the Aggregate – Other funds in the aggregate consist of all funds included in the financial statements except for the general and street funds. The following types of funds are included in this column as follows:
  - a) Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are reported with other funds in the aggregate: animal control, parks and recreation, contingency, sales tax, event center, advertising and promotion commission and the 911.

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 1:      Summary of Significant Accounting Policies (cont'd)**

- b) Capital Project Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following capital project funds are reported with other funds in the aggregate: Benton Parkway and Military Road Redesign.
  - c) Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund included activity for the Series 2012 hotel and restaurant gross receipts tax revenue bonds, the Series 2012 capital improvement refunding and improvement revenue bonds and the lease-purchase of police vehicles, and is reported with other funds in the aggregate.
  - d) Trust and Agency Funds – Trust and agency funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. No activity is reported for these funds in the statements of revenues, expenditures and changes in fund balances, and the total of these assets are offset by a corresponding liability (assets held in trust) on the balance sheet. The following trust and agency funds are reported with other funds in the aggregate: Benton firefighters pension, City of Benton employees' pension, Benton Utilities employees' pension, municipal court judge and clerk pension, administration of justice, police bond and fine, and district court bond and fine.
- C. Measurement Focus and Regulatory Basis of Accounting – The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas code. The regulatory basis differs from accounting principles generally accepted in the United States. The financial statements are reported using the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. All major revenues are susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when the liability has matured and payment is due. General capital asset acquisitions that provide future benefits are considered expenditures.
- D. Cash and Equivalents – Cash and equivalents consist of all cash on hand, deposited in the bank, or deposited in certificates of deposit.
- E. Cash Deposits – All cash deposits were insured or collateralized with securities held by the City, by the pledging financial institution's trust department, or by its agent in the City's name as of the balance sheet date.
- F. Investments – The City's only investments were maintained in trust for the pension funds. All of these investments were insured, registered, or securities held by the City or its agent in the City's name as of the balance sheet date. All investments are carried at fair value. Under the authority of Act 6 of 1985, the Board of Directors of the fireman's pension fund elected to deposit funds with investment banking firms. These funds are to be invested in corporate stocks and bonds and U.S. government obligations. Income from these investments is to be reinvested, and an annual management fee will be deducted from these funds.
- G. Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 1: Summary of Significant Accounting Policies (cont'd)**

1. Formal budgetary integration is employed as a management control device during the year for the general, street, animal control and parks/recreation funds. These budgets are adopted on a basis consistent with the regulatory basis of accounting. Under the regulatory basis of accounting only the general and street fund budgets have been presented in the basic financial statements. The city council approves all budgets. Payables are reported on the accrual method and there are no allowances made for encumbrances. Appropriations are cut off at year end and are not lapsed into the next year.
  2. The budget amounts shown in the basic financial statements are the final authorized amounts as revised during the year.
- H. Use of Estimates – The preparation of financial statements in conformity with the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- I. Property Taxes – Property taxes are levied on the third Monday in February and are due and payable at that time through October 10th. Unpaid taxes are delinquent on October 11th. Property tax revenues are recognized when received.
- J. Fund Balance – In the basic financial statements, funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change. A commitment should be assumed for funds that have been separately established, even though such funds are reported as unassigned.

**Note 2: Legal or Contractual Provisions for Deposits and Investments**

- A. Governmental Fund Types – State law generally requires that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.
- B. Pension Trust Funds – State law provides that if the total assets of the pension trust fund are less than one hundred thousand dollars (\$100,000), the funds may be deposited or invested as noted above. If the total assets of the fund exceed one hundred thousand dollars (\$100,000), the fund may employ a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

**Note 3: Legal Debt Limit – Tax Secured Bond Issues**

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. There were no property tax secured bond issues as of December 31, 2013 and 2012.



City of Benton, Arkansas  
Notes to the Financial Statements

**Note 4: Council Committed Funds**

The following is a schedule of the council committed funds at December 31:

	<u>2013</u>	<u>2012</u>
General Fund		
Communications Systems Fund	\$ 86,676	\$ 65,556
Fire Facilities Reserve Fund	25	84,564
Fire Truck Reserve Fund	2,145	350,000
Financial Stability Fund	<u>452,365</u>	<u>309,654</u>
	<u>541,211</u>	<u>809,774</u>
Street Fund		
Stormwater Fund	154,850	74,254
Other Funds in the Aggregate		
Contingency Fund	<u>2,864</u>	<u>2,860</u>
Total Council Committed Funds	<u>\$ 698,925</u>	<u>\$ 886,888</u>

Communication Systems Fund – The City Council passed Ordinance 43 in November 1997 to create a communications system fund from revenues provided under lease agreements between the City and various wireless telephone providers. The funds may only be expended with a two-thirds vote of the full City Council.

Fire Facilities Reserve Fund – In January 2013, the City Council approved Ordinance 3 of 2013 related to construction of an addition to a fire station.

Fire Truck Reserve Fund – In December 2012, the City Council approved Ordinance 73 of 2012 establishing a fire truck reserve fund for the purchase of a new fire truck.

Financial Stability Fund – In accordance with Ordinance 84 of 2007, the City deposited fifty percent of any actual unpledged revenues into the financial stability fund from any budget years that have been previously closed, beginning with the 2007 budget year.

Stormwater Fund – In October 2011, the City Council approved Ordinance 59 of 2011 amending Ordinance 64 of 2006 to specify that stormwater funds be deposited into a fund separate of the general fund to be appropriated and expended as directed by the City Council.

Contingency Fund – In October 2004, the City Council approved the transfer of funds from the utility fund to a contingency fund pursuant to Ordinance 25 of 1998.

**Note 5: Restricted Funds**

Restricted funds are cash and equivalents that have been limited to uses specified either externally by creditors, grantors, contributors, or laws and regulations of other governments or internally by law through constitutional provisions or enabling legislation. The following is a schedule of the restricted funds at December 31:

	<u>2013</u>	<u>2012</u>
General Fund		
Court Automation Fund	\$ 81,225	\$ 41,883
Police Drug Control Funds	115,248	44,508
Economic Development Funds	<u>5</u>	<u>5</u>
	<u>196,478</u>	<u>86,396</u>
Street Fund		
Special Projects Fund	2,113,347	3,710,731
Street Improvements Fund	<u>1,000,599</u>	<u>766,935</u>
	<u>3,113,946</u>	<u>4,477,666</u>

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 5: Restricted Funds (cont'd)**

Other Funds in the Aggregate		
Benton Parkway Fund	2,615	2,612
Military Redesign Fund	261,996	35,427
Debt Service Fund	1,047,256	1,054,866
Parks and Recreation Fund	2,303	3,653
A&P Commission Fund	330,188	7,040,326
911 Fund	2	2
Agency and Pension Trust Funds	2,425,709	1,598,631
	<u>4,070,069</u>	<u>9,735,517</u>
Total Restricted Funds	<u>\$ 7,380,493</u>	<u>\$ 14,299,579</u>

**Note 6: Investments**

The following is a schedule of the investments at December 31:

	<u>2013</u>	<u>2012</u>
Metropolitan National Bank		
Mutual Funds	\$ 12,172,564	\$ 13,398,546
Corporate Bonds		838,920
	<u>12,172,564</u>	<u>14,237,466</u>
Morgan Stanley		
Government Securities		135,584
Mutual Funds	1,749,727	
Corporate Bonds		219,003
Corporate Stocks	9,420	1,062,274
	<u>1,759,147</u>	<u>1,416,861</u>
Total Investments	<u>\$ 13,931,711</u>	<u>\$ 15,654,327</u>

**Note 7: Commitments**

Long-Term Debt – The City had outstanding commitments for the lease-purchase agreement on police vehicles, the Series 2012 hotel and restaurant gross receipts tax revenue bonds and the Series 2012 capital improvement refunding and improvement revenue bonds.

The Regions Equipment Finance Corporation lease-purchase had a balance of \$101,649 and \$201,324 at December 31, 2013 and 2012, respectively, maturing annually at 1.98% through March 7, 2014, secured by the vehicles purchased.

The Series 2000 bonds were refunded with the issuance of the Series 2012 capital improvement refunding and improvement revenue bonds. Interest was due semi-annually on May 1 and November 1 at interest rates ranging from 4.75-5.60%, secured by a pledge of revenues derived by the city from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

The Series 2007 bonds matured annually on June 1 at varying amounts through 2012, with interest due semi-annually on June 1 and December 1 at interest rates ranging from 3.60-3.70%, secured by the general revenues derived by the City.

The Series 2012 hotel and restaurant gross receipts tax revenue bonds had a balance of \$7,360,000 and \$7,815,000 at December 31, 2013 and 2012, respectively. The bonds mature annually on August 1 at varying amounts through 2027, with interest due semi-annually on February 1 and August 1 at interest rates ranging from 1.162-4.555%, secured by a pledge of revenues derived by the City from a 1.5% tax on gross receipts from motels, hotels, restaurants and similar establishments within the City.

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 7: Commitments (cont'd)**

The Series 2012 capital improvement refunding and improvement revenue bonds had a balance of \$3,370,000 and \$3,560,000 at December 31, 2013 and 2012, respectively. The bonds mature annually on September 1 at varying amounts through 2028, with interest due semi-annually on March 1 and September 1 at interest rates ranging from 1.0-3.5%, secured by a pledge of revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

The future scheduled maturities of long-term debt are as follows:

	Principal	Interest	Total
2014	\$ 751,649	\$ 333,865	\$ 1,085,514
2015	665,000	322,017	987,017
2016	670,000	311,030	981,030
2017	685,000	298,238	983,238
2018	700,000	283,946	983,946
2019-2023	3,795,000	1,119,261	4,914,261
2024-2028	3,565,000	380,418	3,945,418
	<u>\$ 10,831,649</u>	<u>\$ 3,048,775</u>	<u>\$ 13,880,424</u>

The following schedule details the changes in the city's long-term debt for the years ending December 31:

	2013	2012
Beginning Balance	\$ 11,576,324	\$ 1,205,000
Additions		11,679,986
Retired	(744,675)	(1,308,662)
Ending Balance	<u>\$ 10,831,649</u>	<u>\$ 11,576,324</u>

Compensated Absences – It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the City's services. It is the City's policy to pay up to a maximum of 90 accumulated sick days to employees who retire from the City. The following is a schedule of compensated absences at December 31, 2013 and 2012:

	General Fund	Street Fund	Other Funds	2013 Total
Unused Vacation	\$ 151,083	\$ 10,922	\$ 4,766	\$ 166,771
Unused Sick Leave	130,435	47,954		178,389
	<u>\$ 281,518</u>	<u>\$ 58,876</u>	<u>\$ 4,766</u>	<u>\$ 345,160</u>

  

	General Fund	Street Fund	Other Funds	2012 Total
Unused Vacation	\$ 150,526	\$ 11,555	\$ 3,943	\$ 166,024
Unused Sick Leave	88,871	25,034		113,905
	<u>\$ 239,397</u>	<u>\$ 36,589</u>	<u>\$ 3,943</u>	<u>\$ 279,929</u>

Benton Police Pension Fund – The City of Benton has a single-employer defined benefit plan which covers all full-time policemen hired prior to January 1, 1983. Plan assets were consolidated with the Arkansas Local Police and Fire Retirement System (LOPFI) in December 2010 and effective January 1, 2011, the plan was administered by LOPFI. The total annual estimated cost to consolidate is approximately \$230,000 for fifteen years.

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 8: Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League program (public entity risk pools) for coverage in the following areas:

Building and Contents Program – This program covers city-owned property as listed on the statement of values. Coverage is limited to \$5,000,000 limit per building /location. Excess limits are provided up to the actual replacement cost limits of the property as per the statement of values, annual aggregate of \$10,000,000 per location for buildings and contents and electronic data processing equipment. The program administrator establishes annually a service charge based on the property covered.

Vehicle Program – This program provides automobile liability and auto physical damage. Automobile liability is limited to \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident. Auto physical damage comprehensive/collision coverage is actual cash value of the vehicle. The program administrator establishes annually a service charge based on the vehicles covered.

Workers' Compensation – This program provides statutory benefits for losses incurred by municipal officials and employees while performing work for the municipality. Rates for municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the Workers' Compensation Commission.

Municipal Legal Defense Program – The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages - not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials and employees because of judgment in any one lawsuit for more than 25 percent of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$2,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City participates in the self-insured fidelity bond program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the state risk manager and approved by the board. These premiums are paid by the state treasurer from funds withheld from the municipal aid fund. There is a \$1,000 deductible per occurrence.

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 9: Interfund Balances**

The following is a schedule of interfund balances at December 31, 2013:

	<u>Due from Other Funds</u>		
	<u>General Fund</u>	<u>Utilities Fund</u>	<u>Due to Other Funds</u>
General Fund	\$	\$ 14,221	\$ 14,221
Street Fund		2,569	2,569
Utilities Fund	205,000		205,000
Other Funds in the Aggregate		2,055	2,055
	<u>\$ 205,000</u>	<u>\$ 18,845</u>	<u>\$ 223,845</u>

The balance of \$18,845 due the utilities fund from the general, street and other funds in the aggregate resulted from administration costs charged to the utilities fund employee costs and reimbursed through transfers from the various funds. All of these balances are expected to be settled in 2014.

The remaining balance resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of this balance is expected to be settled in 2014.

The following is a schedule of interfund balances at December 31, 2012:

	<u>Due from Other Funds</u>		
	<u>Animal Control Fund</u>	<u>Utilities Fund</u>	<u>Due to Other Funds</u>
General Fund	\$ 5	\$ 14,083	\$ 14,088
Street Fund		4,914	4,914
Other Funds in the Aggregate		27,663	27,663
	<u>\$ 5</u>	<u>\$ 46,660</u>	<u>\$ 46,665</u>

The balance of \$46,660 due the utilities fund from the general, street and other funds in the aggregate resulted from administration costs charged to the utilities fund employee costs and reimbursed through transfers from the various funds.

All remaining balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Note 10: Interfund Transfers**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) reimburse a capital project or improvement fund for capital expenditures, (4) reimburse employee costs charged to the utilities fund and reimbursed through transfers from the various funds and (5) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of interfund transfers for the year ending December 31, 2013:

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 10: Interfund Transfers (cont'd)**

	Transfers in from Other Funds				Transfers Out to Other Funds
	General Fund	Street Fund	Other Funds in the Aggregate	Utilities Fund	
General Fund	\$	\$	\$ 391,181	\$ 200,998	\$ 592,179
Street Fund			953,533	37,044	990,577
Other Funds in the Aggregate	6,349,825	1,381,648	2,268,884	26,618	10,026,975
Utilities Fund	<u>1,803,827</u>				<u>1,803,827</u>
	<u>\$ 8,153,652</u>	<u>\$ 1,381,648</u>	<u>\$ 3,613,598</u>	<u>\$ 264,660</u>	<u>\$ 13,413,558</u>

The following is a schedule of interfund transfers for the year ending December 31, 2012:

	Transfers In From Other Funds				Transfers Out to Other Funds
	General Fund	Street Fund	Other Funds in the Aggregate	Utilities Fund	
General Fund	\$	\$	\$ 427,910	\$ 183,976	\$ 611,886
Street Fund		1,000,000	2,331,956	67,350	3,399,306
Other Funds in the Aggregate	5,957,444	1,301,066	1,944,216	29,859	9,232,585
Utilities Fund	<u>1,877,400</u>				<u>1,877,400</u>
	<u>\$ 7,834,844</u>	<u>\$ 2,301,066</u>	<u>\$ 4,704,082</u>	<u>\$ 281,185</u>	<u>\$ 15,121,177</u>

**Note 11: Retirement Plans**

Certain financial disclosures are required for a defined benefit pension plan. This information provides clarification in assessing the present and future ability of the pension plan to pay benefits as they become due; however, the information will not change the value or presentation of the financial statements. These disclosures are determined by an actuary and presented in addition to the financial statements.

- A. Arkansas District Judges Retirement System – Act 1374 of 2004 created the Arkansas District Judges Retirement System (ADJRS). ADJRS is a cost-sharing multiple-employer defined benefit plan. Information regarding this plan is provided in the act. ADJRS will issue a publicly available financial report that includes financial statements and required supplementary information of the plan, which may be obtained by contacting the following:

Arkansas District Judges Retirement System  
124 West Capitol, Suite 400  
Little Rock, Arkansas 72201

- B. The Arkansas Local Police And Fire Retirement System – Act 364 of 1981 created the Arkansas Local Police And Fire Retirement System (LOPFI) for all new hires of policemen or firemen since January 1, 1983. LOPFI is a statewide agent multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the Arkansas. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the plan, which may be obtained by contacting the following:

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 11: Retirement Plans (cont'd)**

Arkansas Local Police and Fire Retirement System  
P.O. Drawer 34164  
Little Rock, Arkansas 72203  
(501) 682-1745

Employees are entitled to a monthly pension based on a formula determined by average pay during the sixty consecutive months prior to retirement and longevity of service. Covered firemen are required to contribute six percent of their salary. Covered policemen are not required to contribute to the plan. The system is supported on the local level by a portion of the state insurance turnback subsidy. Should the state insurance turnback and employee withholdings be of an insufficient amount to fund the state requirements, the general fund of the City of Benton is to provide the additional required support.

- C. Benton Firefighters Pension Fund – The City has a single-employer defined benefit plan which covers all full-time firemen hired prior to January 1, 1983. The plan was established in accordance with Act 491 of Arkansas Code Annotated of 1987. The plan is administered by a seven-member board of trustees comprised of the mayor, city clerk, fire chief and four members of the fire department. The plan's assets are held by the City in a pension trust fund. The financial statements and disclosures for the plan are also available in a stand-alone financial report provided by the actuary. Membership in the plan as of December 31, 2013, is as follows:

Retirees and Beneficiaries Currently	
Receiving Benefits	31
Current Employees	<u>2</u>
Total	<u>33</u>

Employees who have been duly appointed and enrolled and have served for a period of 20 years or more shall be entitled to retirement benefits. They are entitled to a monthly pension equal to one half of the salary attached to the rank that they may have held preceding retirement. Further, any employee who voluntarily retires with more than 20 years of continuous service shall receive the sum of \$5.00 per month for each year of additional service up to \$25.00 per month.

Covered employees are required to contribute six percent of their salary. The City matches the employee's contributions up to 6% of their salary. Any remaining amount necessary to pay benefits is received from a millage tax on real estate and personal property, state insurance turnback funds, and general revenues, if necessary. The following is a reconciliation of the net pension obligation (NPO) for the years ending December 31:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required			
Contribution (ARC)	\$ 1,245,349	\$ 1,266,415	\$ 1,216,506
Interest on NPO	179,818	160,925	137,434
Adjustment to ARC	<u>(810,890)</u>	<u>(725,693)</u>	<u>(619,761)</u>
Annual Pension Cost (APC)	614,277	701,647	734,179
Actual Contribution Made	<u>(328,360)</u>	<u>(323,794)</u>	<u>(264,359)</u>
Increase (Decrease) in NPO	285,917	377,853	469,820
NPO - Beginning of Year	<u>3,596,356</u>	<u>3,218,503</u>	<u>2,748,683</u>
NPO – End of Year	<u>\$ 3,882,273</u>	<u>\$ 3,596,356</u>	<u>\$ 3,218,503</u>

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 11: Retirement Plans (cont'd)**

The annual required contribution for 2013 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases ranging from 4.2% to 8.0% per year. Both (a) and (b) included an inflation component of 4.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012, was five years. The following represents the trends for the last three years:

	APC	% of APC Contributed	NPO	
2013	\$ 614,277	53.5%	\$ 3,882,273	
2012	\$ 701,647	46.1%	\$ 3,596,356	
2011	\$ 734,179	36.0%	\$ 3,218,503	

  

Actuarial Valuation Date	Actuarial Value Of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Accrued Liability (UAL) (B-A)	Funded Ratio (A/B)
12/31/12	\$ 1,817,765	\$ 7,340,978	\$ 5,523,213	24.8%
12/31/11	\$ 1,751,341	\$ 7,367,983	\$ 5,616,642	23.8%
12/31/10	\$ 2,003,105	\$ 7,398,397	\$ 5,395,292	27.1%

- D. Benton Police Pension Fund – The City of Benton had a single-employer defined benefit plan which covered all full-time policemen hired prior to January 1, 1983. The plan was established in accordance with Act 250 of Arkansas Code Annotated of 1987. The plan was administered by a seven-member board of trustees comprised of the mayor, city clerk and three members of the police department elected by participating members. These five members then elected the other members, one which was a reputable physician and the other a police department retiree. The plan's assets were held by the City in a pension trust fund. Plan assets were consolidated with the Arkansas Local Police and Fire Retirement System (LOPFI) in December 2010 and effective January 1, 2011, the plan was administered by LOPFI. See Note 7: Commitments for estimated costs.

- E. City of Benton Employees' Pension Plan – The employees of the City of Benton are covered by a single-employer defined benefit plan which covers all full-time employees who have six months of service.

The plan is administered by Stephens Capital Management, Inc. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. Membership in the plan as of January 1, 2013, is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	29
Vested Terminated Employees	23
Disabled	2
Current Employees	46
Total	<u>100</u>



City of Benton, Arkansas  
Notes to the Financial Statements

**Note 11: Retirement Plans (cont'd)**

The plan provides retirement benefits as well as disability benefits. Participants begin vesting at five years of service and are 100 percent vested at fifteen years of service. All employees are entitled to a retirement benefit based on period of service. For services prior to October 31, 1968, benefits are based on .5 percent of monthly compensation and .5 percent of average monthly compensation in excess of \$400 multiplied by years of service from date of hire to October 31, 1968. For service between October 31, 1968, and December 31, 1989, benefits are based on 2 percent of average monthly compensation and .75 percent of average monthly compensation in excess of \$400 multiplied by years of service from the later of October 31, 1969, to December 31, 1989. For services after December 31, 1989, benefits are based on 2.75% of average monthly compensation multiplied by years of service (maximum 30 years) to normal retirement date.

Employees may take early retirement between 55 and 65. The employee must complete ten years of service and be at least 55 years of age to be eligible for benefits. The early retirement pension is the actuarial equivalent of the accrued benefits at normal retirement age.

Employees hired after December 31, 2011, contribute two percent of their salary until January 1 following the date of hire and four percent thereafter. No employee contributes after thirty years of service. The City of Benton's contribution is actuarially determined. The amount contributed was \$325,000 in 2013 and \$353,106 in 2012. The following is a reconciliation of the net pension obligation (NPO) for the years ending December 31:

	2013	2012	2011
Annual Required Contribution (ARC)	\$ 254,370	\$ 298,145	\$ 317,779
Interest on NPO	(17,412)	(14,589)	(11,840)
Adjustment to ARC	18,734	15,321	12,435
Annual Pension Cost (APC)	255,692	298,877	318,374
Actual Contribution Made	(325,000)	(353,106)	(355,019)
Increase (Decrease) in NPO	(69,308)	(54,229)	(36,645)
NPO - Beginning of Year	(248,744)	(194,515)	(157,870)
NPO - End of Year	<u>\$ (318,052)</u>	<u>\$ (248,744)</u>	<u>\$ (194,515)</u>

The annual required contribution for 2013 was determined as part of the January 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2013, was thirty years. The following represents the trends for the last three years and the schedule of funding progress:

	APC	% of APC Contributed	NPO
2013	\$255,692	127.1%	\$(318,052)
2012	\$298,877	118.1%	\$(248,744)
2011	\$318,374	111.5%	\$(194,515)

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 11: Retirement Plans (cont'd)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Accrued Liability (UAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAL as a % of Covered Payroll ((B-A)/C)
12/31/12	\$ 4,292,704	\$ 5,335,974	\$ 1,043,270	80%	\$ 1,444,145	72%
12/31/11	\$ 3,877,567	\$ 5,155,995	\$ 1,278,428	75%	\$ 1,722,162	74%
12/31/10	\$ 3,860,505	\$ 5,043,465	\$ 1,182,960	77%	\$ 1,896,410	62%

- F. Benton Utilities Employees' Pension Plan – The employees of the City utilities are covered by a single-employer defined benefit plan which covers all full-time employees who have six months of service.

The plan is administered by Stephens Capital Management, Inc. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. Membership in the plan as of January 1, 2013, is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	45
Vested Terminated Employees	25
Disabled	1
Current Employees	<u>79</u>
Total	<u>150</u>

The plan provides retirement benefits as well as disability benefits. Benefits begin vesting at five years of service and are 100 percent vested at fifteen years of service. All employees are entitled to a retirement benefit based on period of service.

For services prior to October 31, 1968, benefits are based on .5 percent of monthly compensation and .5 percent of average monthly compensation in excess of \$400 multiplied by years of service from date of hire to October 31, 1968. For service between October 31, 1968, and December 31, 1989, benefits are based on 2 percent of average monthly compensation and .75 percent of average monthly compensation in excess of \$400 multiplied by years of service from the later of October 31, 1969, to December 31, 1989. For services after December 31, 1989, benefits are based on 2.75 percent of average monthly compensation multiplied by years of service (maximum 30 years) to normal retirement date.

Employees may take early retirement between 55 and 65. The employee must complete ten years of service and be at least 55 years of age to be eligible for benefits. The early retirement pension is the actuarial equivalent of the accrued benefits at normal retirement age.

Employees hired after December 31, 2011, contribute two percent of their salary until January 1 following the date of hire and four percent thereafter. No employee contributes after thirty years of service. The City utilities' contribution is actuarially determined. The amount contributed was \$700,000 in 2013 and \$727,263 in 2012. The following is a reconciliation of the net pension obligation (NPO) for the years ending December 31:

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 11: Retirement Plans (cont'd)**

	2013	2012	2011
Annual Required Contribution (ARC)	\$ 570,858	\$ 620,402	\$ 570,858
Interest on NPO	(35,681)	(48,982)	(35,681)
Adjustment to ARC	37,473	51,440	37,473
Annual Pension Cost (APC)	572,650	622,860	572,650
Actual Contribution Made	(700,000)	(727,263)	(750,000)
Increase (Decrease) in NPO	(127,350)	(104,403)	(177,350)
NPO - Beginning of Year	(757,497)	(653,094)	(475,744)
NPO - End of Year	<u>\$ (884,847)</u>	<u>\$ (757,497)</u>	<u>\$ (653,094)</u>

The annual required contribution for 2013 was determined as part of the January 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2013, was thirty years. The following represents the trends for the last three years and the schedule of funding progress:

		APC	% of APC Contributed	NPO
2013		\$572,650	122.2%	\$(884,847)
2012		\$622,860	116.8%	\$(757,497)
2011		\$572,650	131.0%	\$(653,094)

  

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Accrued Liability (UAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAL as a % of Covered Payroll ((B-A)/C)
12/31/12	\$11,203,192	\$15,006,964	\$ 3,803,772	75%	\$ 3,263,281	117%
12/31/11	\$10,175,300	\$13,859,330	\$ 3,684,030	73%	\$ 3,283,524	112%
12/31/10	\$10,145,005	\$13,191,285	\$ 3,046,280	77%	\$ 3,358,173	91%

- G. Other Postemployment Benefits – The City has a collective bargaining agreement with the AFSCME union for post-employment health benefits for employees who retire under certain conditions that can continue their medical coverage. The financial statements and disclosures for the post-employment health benefits are also available in a stand-alone financial report provided by the actuary. Covered employees in the post-employment health benefits as of December 31, 2010, are as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	39
Current Employees	<u>241</u>
Total	<u>280</u>

Retired covered employees of the AFSCME union who have been employed for a period of 20 years or more and at least 55 years of age shall be entitled to the health benefits. They are entitled to continue medical coverage, but must pay the same premium as an active employee.

City of Benton, Arkansas  
Notes to the Financial Statements

**Note 11: Retirement Plans (cont'd)**

The following is a reconciliation of the net other post-employment benefits obligation (NOPEB) for the year ending December 31, 2010:

	<u>2010</u>
Annual Required Contribution (ARC)	\$ 277,528
Annual OPEB Cost (AOC)	277,528
Actual Contribution Made	<u>(256,750)</u>
Increase (Decrease) in NOPEB	20,778
NOPEB - Beginning of Year	
NOPEB - End of Year	<u>\$ 20,778</u>

The annual required contribution for 2010 was determined as part of the December 31, 2010, actuarial valuation using the projected unit credit method. The actuarial assumption included a medical inflation for the following year of 10% gradually decreasing to 5% in the ninth following year.

The following represents the schedule of funding:

		<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	2010	\$ 277,528	92.5%	\$ 20,778

  

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (B)</u>	<u>Unfunded Accrued Liability (UAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAL as a % of Covered Payroll ((B-A)/C)</u>
12/31/09	\$	\$ 3,386,637	\$ 3,386,637	0%	\$ 0	N/A

**Note 12: Subsequent Event**

Subsequent events were evaluated through May 15, 2014, which is the date the financial statements were available to be issued.

City of Benton, Arkansas  
Schedule of General Fund Expenditures by  
Department - Modified Accrual Basis  
For the Year Ended December 31, 2013

	Elected Staff	Legal	Central Communications	Information Technology
Salaries	\$ 216,799	\$ 65,250	\$ 350,094	\$ 8
Retirement	5,808	11,649	64,027	3,656
Fringe Benefits	22,987	4,580	98,359	43
Vehicle	1,291			
Repairs and Maintenance	76,152		1,863	
Supplies	7,433		816	2,988
Other	84		11	
Electricity Generation				
Utilities	20,666		7,445	1,748
Outside Services	183,161	350,611	25,067	53,723
Educational/Professional	80,817	100	1,534	
Capital Outlay	2,388			1,892
	<u>\$ 617,586</u>	<u>\$ 432,190</u>	<u>\$ 549,216</u>	<u>\$ 64,058</u>

Police	Fire	Community Development	Professional Technical	Total
\$ 2,864,147	\$ 2,381,558	\$ 251,950	\$	\$ 6,129,806
397,498	241,473	46,386		770,497
724,474	593,991	65,559		1,509,993
256,581	71,587	20,558		350,017
41,896	16,953	4,831		141,695
102,931	28,614	3,744	174	146,700
50,408	8,182	20,109		78,794
	950			950
30,103	23,512	7,542	662	91,678
123,861	42,922	67,734	96	847,175
86,746	15,061	10,913		195,171
591,795	437,766	4,879		1,038,720
<u>\$ 5,270,440</u>	<u>\$ 3,862,569</u>	<u>\$ 504,205</u>	<u>\$ 932</u>	<u>\$ 11,301,196</u>

City of Benton, Arkansas  
Schedule of General Fund Expenditures by  
Department - Modified Accrual Basis  
For the Year Ended December 31, 2012

	<u>Elected Staff</u>	<u>Legal</u>	<u>Central Communications</u>	<u>Information Technology</u>
Salaries	\$ 209,994	\$ 65,250	\$ 351,428	\$ 45,054
Retirement	5,386	49,991	61,093	7,047
Fringe Benefits	28,564	5,750	94,948	21,818
Vehicle	1,235		939	366
Repairs and Maintenance	31,281		31,255	323
Supplies	8,400		1,267	1,742
Other	365			
Electricity Generation				
Utilities	15,409		7,207	2,501
Outside Services	139,941	425,943	42,929	46,112
Educational/Professional	92,570	100	3,407	1,598
Capital Outlay	8,627			3,095
	<u>\$ 541,772</u>	<u>\$ 547,034</u>	<u>\$ 594,473</u>	<u>\$ 129,656</u>

Police	Fire	Community Development	Professional Technical	Total
\$ 2,858,181	\$ 2,455,173	\$ 246,027	\$	\$ 6,231,107
392,008	256,055	47,739	12,436	831,755
668,024	534,644	54,224	7,457	1,415,429
312,442	64,883	20,203	620	400,688
62,120	19,495	5,883		150,357
119,686	66,136	3,056	20	200,307
55,160	3,669	3,011		62,205
394	1,689			2,083
31,204	22,117	6,938	688	86,064
108,435	53,433	73,617	23,154	913,564
44,955	13,827	10,425	20	166,902
210,108	25,051	1,093		247,974
<u>\$ 4,862,717</u>	<u>\$ 3,516,172</u>	<u>\$ 472,216</u>	<u>\$ 44,395</u>	<u>\$ 10,708,435</u>



City of Benton, Arkansas  
Combined Balance Sheet - Street Fund  
Modified Accrual Basis  
December 31, 2013

<b>Assets</b>	<b>Street Operating Fund</b>	<b>Street Improvement Fund</b>	<b>Stormwater Projects Fund</b>	<b>Special Projects Fund</b>	<b>Total Street Fund</b>
<b>Assets</b>					
Cash and Equivalents:					
Unassigned	\$ 3,050,503	\$	\$	\$	\$ 3,050,503
Council Committed			154,850		154,850
Restricted		1,000,599		2,113,347	3,113,946
Other Receivables			6,847		6,847
Prepaid Expenses	11,580				11,580
<b>Total Assets</b>	<b>\$ 3,062,083</b>	<b>\$ 1,000,599</b>	<b>\$ 161,697</b>	<b>\$ 2,113,347</b>	<b>\$ 6,337,726</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 107,626	\$	\$ 3,633	\$ 50,534	\$ 161,793
Accrued Compensation	21,007				21,007
Due to Other Funds	2,569				2,569
<b>Total Liabilities</b>	<b>131,202</b>		<b>3,633</b>	<b>50,534</b>	<b>185,369</b>
<b>Fund Balances</b>					
Restricted for Capital					
Outlay		1,000,599		2,062,813	3,063,412
Unrestricted:					
Committed			158,064		158,064
Unassigned	2,930,881				2,930,881
<b>Total Fund Balances</b>	<b>2,930,881</b>	<b>1,000,599</b>	<b>158,064</b>	<b>2,062,813</b>	<b>6,152,357</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,062,083</b>	<b>\$ 1,000,599</b>	<b>\$ 161,697</b>	<b>\$ 2,113,347</b>	<b>\$ 6,337,726</b>

City of Benton, Arkansas  
Combined Balance Sheet - Street Fund  
Modified Accrual Basis  
December 31, 2012

	Street Operating Fund	Street Improvement Fund	Stormwater Projects Fund	Special Projects Fund	Total Street Fund
<b>Assets</b>					
Assets					
Cash and Equivalents:					
Unassigned	\$ 2,077,906	\$	\$	\$	\$ 2,077,906
Council Committed			74,254		74,254
Restricted		766,935		3,710,731	4,477,666
Other Receivables	93,062		96,337		189,399
Prepaid Expenses	11,410				11,410
Total Assets	<u>\$ 2,182,378</u>	<u>\$ 766,935</u>	<u>\$ 170,591</u>	<u>\$ 3,710,731</u>	<u>\$ 6,830,635</u>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts Payable	\$ 100,021	\$	\$ 11,564	\$ 49,045	\$ 160,630
Accrued Compensation	19,276				19,276
Due to Other Funds	4,914				4,914
Total Liabilities	<u>124,211</u>		<u>11,564</u>	<u>49,045</u>	<u>184,820</u>
Fund Balances					
Restricted for Capital Outlay		766,935		3,661,686	4,428,621
Unrestricted:					
Committed			159,027		159,027
Unassigned	2,058,167				2,058,167
Total Fund Balances	<u>2,058,167</u>	<u>766,935</u>	<u>159,027</u>	<u>3,661,686</u>	<u>6,645,815</u>
Total Liabilities and Fund Balances	<u>\$ 2,182,378</u>	<u>\$ 766,935</u>	<u>\$ 170,591</u>	<u>\$ 3,710,731</u>	<u>\$ 6,830,635</u>

City of Benton, Arkansas  
Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Street Fund - Modified Accrual Basis  
For the Year Ended December 31, 2013

	Street Operating Fund	Street Improvement Fund	Stormwater Projects Fund	Special Projects Fund	Total Street Fund
<b>Revenues</b>					
Tax Revenues	\$ 2,217,268	\$	\$	\$	\$ 2,217,268
Permits and Licenses			103,164		103,164
Federal and State Grants	146,469		246,721		393,190
Interest	3,053	627	73	4,513	8,266
Other	60,341				60,341
<b>Total Revenues</b>	<u>2,427,131</u>	<u>627</u>	<u>349,958</u>	<u>4,513</u>	<u>2,782,229</u>
<b>Expenditures</b>					
Human Resources	667,270				667,270
Operations and Maintenance	432,506		38,388		470,894
Utilities	12,648				12,648
Outside Services	39,424				39,424
Educational/Professional	2,954				2,954
Capital Outlay	362,571	195,078	312,533	1,603,386	2,473,568
<b>Total Expenditures</b>	<u>1,517,373</u>	<u>195,078</u>	<u>350,921</u>	<u>1,603,386</u>	<u>3,666,758</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>909,758</u>	<u>(194,451)</u>	<u>(963)</u>	<u>(1,598,873)</u>	<u>(884,529)</u>
<b>Other Financing Sources and (Uses)</b>					
Transfers In		1,381,648			1,381,648
Transfers Out	(37,044)	(953,533)			(990,577)
<b>Total Other Financing Sources and (Uses)</b>	<u>(37,044)</u>	<u>428,115</u>			<u>391,071</u>
<b>Changes in Fund Balances</b>	<u>872,714</u>	<u>233,664</u>	<u>(963)</u>	<u>(1,598,873)</u>	<u>(493,458)</u>
<b>Fund Balances at Beginning of Year</b>	<u>2,058,167</u>	<u>766,935</u>	<u>159,027</u>	<u>3,661,686</u>	<u>6,645,815</u>
<b>Fund Balances at End of Year</b>	<u>\$ 2,930,881</u>	<u>\$ 1,000,599</u>	<u>\$ 158,064</u>	<u>\$ 2,062,813</u>	<u>\$ 6,152,357</u>

City of Benton, Arkansas  
Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Street Fund - Modified Accrual Basis  
For the Year Ended December 31, 2012

	Street Operating Fund	Street Improvement Fund	Stormwater Projects Fund	Special Projects Fund	Total Street Fund
Revenues					
Tax Revenues	\$ 2,020,586	\$	\$	\$	\$ 2,020,586
Permits and Licenses			100,102		100,102
Federal and State Grants	235,887		208,152		444,039
Interest	4,696	1,562	256	1,156	7,670
Other	63,079				63,079
Total Revenues	<u>2,324,248</u>	<u>1,562</u>	<u>308,510</u>	<u>1,156</u>	<u>2,635,476</u>
Expenditures					
Human Resources	656,088				656,088
Operations and Maintenance	457,264		75,292		532,556
Utilities	10,533				10,533
Outside Services	16,868				16,868
Educational/Professional	2,885				2,885
Capital Outlay	811,319	36,260	294,436	118,329	1,260,344
Total Expenditures	<u>1,954,957</u>	<u>36,260</u>	<u>369,728</u>	<u>118,329</u>	<u>2,479,274</u>
Excess (Deficit) of Revenues over Expenditures	<u>369,291</u>	<u>(34,698)</u>	<u>(61,218)</u>	<u>(117,173)</u>	<u>156,202</u>
Other Financing Sources and (Uses)					
Gain on Sale of Assets					
Proceeds From Debt				3,560,000	3,560,000
Bond Discount And Issue Costs				(127,863)	(127,863)
Transfers In		1,301,066		1,000,000	2,301,066
Transfers Out	(1,067,350)	(1,678,678)		(653,278)	(3,399,306)
Total Other Financing Sources and (Uses)	<u>(1,067,350)</u>	<u>(377,612)</u>		<u>3,778,859</u>	<u>2,333,897</u>
Changes in Fund Balances	(698,059)	(412,310)	(61,218)	3,661,686	2,490,099
Fund Balances at Beginning of Year	<u>2,756,226</u>	<u>1,179,245</u>	<u>220,245</u>		<u>4,155,716</u>
Fund Balances at End of Year	<u>\$ 2,058,167</u>	<u>\$ 766,935</u>	<u>\$ 159,027</u>	<u>\$ 3,661,686</u>	<u>\$ 6,645,815</u>

City of Benton, Arkansas  
Combined Balance Sheet - Other Funds in  
the Aggregate - Modified Accrual Basis  
December 31, 2013

	Capital Project Funds		Debt Service Fund	Agency and Pension Trust Funds
	Benton Parkway	Military Redesign		
<b>Assets</b>				
Assets				
Cash and Equivalents:				
Unassigned	\$	\$	\$	\$
Council Committed				
Restricted	2,615	261,996	1,047,256	2,425,709
Investments-Restricted				13,931,711
Other Receivables		1,174,872		
Prepaid Expenses				
Total Assets	<u>\$ 2,615</u>	<u>\$ 1,436,868</u>	<u>\$ 1,047,256</u>	<u>\$ 16,357,420</u>
<b>Liabilities and Fund Balance</b>				
Liabilities				
Accounts Payable	\$	\$ 489,480	\$	\$
Accrued Compensation				
Due to Other Funds				
Assets Held in Trust				16,357,420
Total Liabilities		<u>489,480</u>		<u>16,357,420</u>
Fund Balances				
Restricted for Debt Service			1,047,256	
Restricted for Capital Outlay	2,615	947,388		
Restricted for Other Activities				
Unrestricted:				
Committed				
Unassigned				
Total Fund Balances	<u>2,615</u>	<u>947,388</u>	<u>1,047,256</u>	
Total Liabilities and Fund Balances	<u>\$ 2,615</u>	<u>\$ 1,436,868</u>	<u>\$ 1,047,256</u>	<u>\$ 16,357,420</u>

Special Revenue Funds						Total Other Funds in the Aggregate
Animal Control	Parks and Recreation	Contingency	Event Center	A&P Commission	911	
\$ 73,201	\$ 765,768	\$ 2,864	\$ 46,956	\$ 681,449	\$	\$ 1,567,374
	2,303			330,188	2	2,864
						4,070,069
						13,931,711
						1,174,872
						16,634
1,744	14,890					
<u>\$ 74,945</u>	<u>\$ 782,961</u>	<u>\$ 2,864</u>	<u>\$ 46,956</u>	<u>\$ 1,011,637</u>	<u>\$ 2</u>	<u>\$ 20,763,524</u>
\$ 2,378	\$ 33,803	\$	\$ 3,960	\$ 9,349	\$	\$ 538,970
7,085	9,893					16,978
397	1,658					2,055
						16,357,420
<u>9,860</u>	<u>45,354</u>		<u>3,960</u>	<u>9,349</u>		<u>16,915,423</u>
				330,188		1,047,256
					2	1,280,191
	2,303					2,305
		2,864				2,864
65,085	735,304		42,996	672,100		1,515,485
<u>65,085</u>	<u>737,607</u>	<u>2,864</u>	<u>42,996</u>	<u>1,002,288</u>	<u>2</u>	<u>3,848,101</u>
<u>\$ 74,945</u>	<u>\$ 782,961</u>	<u>\$ 2,864</u>	<u>\$ 46,956</u>	<u>\$ 1,011,637</u>	<u>\$ 2</u>	<u>\$ 20,763,524</u>

City of Benton, Arkansas  
Combined Balance Sheet - Other Funds in  
the Aggregate - Modified Accrual Basis  
December 31, 2012

<b>Assets</b>	<b>Capital Project Funds</b>		<b>Debt</b>	<b>Agency and</b>
	<b>Benton Parkway</b>	<b>Military Redesign</b>	<b>Service Fund</b>	<b>Pension Trust Funds</b>
<b>Assets</b>				
Cash and Equivalents:				
Unassigned	\$	\$	\$	\$
Council Committed				
Restricted	2,612	35,427	1,054,866	1,598,631
Investments-Restricted				15,654,327
Other Receivables		1,702,752		
Due From Other Funds				
Prepaid Expenses				
<b>Total Assets</b>	<u><u>\$ 2,612</u></u>	<u><u>\$ 1,738,179</u></u>	<u><u>\$ 1,054,866</u></u>	<u><u>\$ 17,252,958</u></u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$	\$ 1,165,718	\$	\$
Accrued Compensation				
Due to Other Funds		24,813		
Assets Held in Trust				17,252,958
<b>Total Liabilities</b>	<u><u></u></u>	<u><u>1,190,531</u></u>	<u><u></u></u>	<u><u>17,252,958</u></u>
<b>Fund Balances</b>				
Restricted for Debt Service			1,054,866	
Restricted for Capital Outlay	2,612	547,648		
Restricted for Other Activities				
Unrestricted:				
Committed				
Unassigned				
<b>Total Fund Balances</b>	<u><u>2,612</u></u>	<u><u>547,648</u></u>	<u><u>1,054,866</u></u>	<u><u></u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 2,612</u></u>	<u><u>\$ 1,738,179</u></u>	<u><u>\$ 1,054,866</u></u>	<u><u>\$ 17,252,958</u></u>

Special Revenue Funds					Total Other Funds in the Aggregate
Animal Control	Parks and Recreation	Contingency	A&P Commission	911	
\$ 38,872	\$ 705,983	\$ 2,860	\$ 1,118,967	\$	\$ 1,863,822
	3,653		7,040,326	2	2,860
					9,735,517
					15,654,327
					1,702,752
5					5
1,734	14,890				16,624
<u>\$ 40,611</u>	<u>\$ 724,526</u>	<u>\$ 2,860</u>	<u>\$ 8,159,293</u>	<u>\$ 2</u>	<u>\$ 28,975,907</u>
\$ 6,112	\$ 43,092	\$	\$ 2,628	\$	\$ 1,217,550
7,667	18,623				26,290
430	2,420				27,663
					17,252,958
<u>14,209</u>	<u>64,135</u>		<u>2,628</u>		<u>18,524,461</u>
			7,040,326		1,054,866
	3,653			2	7,590,586
		2,860			3,655
26,402	656,738		1,116,339		2,860
<u>26,402</u>	<u>660,391</u>	<u>2,860</u>	<u>8,156,665</u>	<u>2</u>	<u>1,799,479</u>
					10,451,446
<u>\$ 40,611</u>	<u>\$ 724,526</u>	<u>\$ 2,860</u>	<u>\$ 8,159,293</u>	<u>\$ 2</u>	<u>\$ 28,975,907</u>



City of Benton, Arkansas  
Combined Statement of Revenues, Expenditures and Changes in Fund  
Balances - Other Funds in the Aggregate - Modified Accrual Basis  
For the Year Ended December 31, 2013

	Capital Project Funds		Debt
	Benton Parkway	Military Redesign	Service Fund
Revenues			
Tax Revenues	\$	\$	\$
Bonds, Fines and Fees			955,391
Federal and State Grants		3,081,212	
Interest	3	214	413
Other			
Total Revenues	<u>3</u>	<u>3,081,426</u>	<u>955,804</u>
Expenditures			
Human Resources			
Operations and Maintenance			1,450
Utilities			
Outside Services			1,624
Educational/Professional			
Capital Outlay		3,635,219	
Principal Payments			744,675
Interest Payments			339,337
Total Expenditures	<u></u>	<u>3,635,219</u>	<u>1,087,086</u>
Excess (Deficit) of Revenues over Expenditures	<u>3</u>	<u>(553,793)</u>	<u>(131,282)</u>
Other Financing Sources and (Uses)			
Gain On Sale Of Assets			
Transfers In		953,533	803,672
Transfers Out			(680,000)
Total Other Financing Sources and (Uses)	<u></u>	<u>953,533</u>	<u>123,672</u>
Changes in Fund Balances	3	399,740	(7,610)
Fund Balance at Beginning of Year	<u>2,612</u>	<u>547,648</u>	<u>1,054,866</u>
Fund Balance at End of Year	<u>\$ 2,615</u>	<u>\$ 947,388</u>	<u>\$ 1,047,256</u>

Special Revenue Funds							Total Other Funds in the Aggregate
Animal Control	Parks and Recreation	Contingency	Sales Tax	Event Center	A&P Commission	911	
\$ 104	\$	\$	\$ 8,289,888	\$	\$ 943,307	\$ 143,233	\$ 9,376,532
							955,391
							3,081,212
43	770	4		25	8,090		9,562
27,206	85,432			32,676	2,592		147,906
27,353	86,202	4	8,289,888	32,701	953,989	143,233	13,570,603
206,404	370,872			48,752			626,028
51,413	262,687			4,824	14,840		335,214
6,966	14,129			4,674	515		26,284
4,788	202,998			63,771	26,243		299,424
3,467	3,531			2,050	2,209		11,257
912	463,913			1,235	7,674,403		11,775,682
							744,675
							339,337
273,950	1,318,130			125,306	7,718,210		14,157,901
(246,597)	(1,231,928)	4	8,289,888	(92,605)	(6,764,221)	143,233	(587,298)
3,500					393,830		397,330
287,519	1,381,648			135,601	51,625		3,613,598
(5,739)	(72,504)		(8,289,888)		(835,611)	(143,233)	(10,026,975)
285,280	1,309,144		(8,289,888)	135,601	(390,156)	(143,233)	(6,016,047)
38,683	77,216	4		42,996	(7,154,377)		(6,603,345)
26,402	660,391	2,860			8,156,665	2	10,451,446
\$ 65,085	\$ 737,607	\$ 2,864	\$	\$ 42,996	\$ 1,002,288	\$ 2	\$ 3,848,101

City of Benton, Arkansas  
Combined Statement of Revenues, Expenditures and Changes in Fund  
Balances - Other Funds in the Aggregate - Modified Accrual Basis  
For the Year Ended December 31, 2012

	Capital Project Funds		Debt
	Benton Parkway	Military Redesign	Service Fund
Revenues			
Tax Revenues	\$	\$	\$
Bonds, Fines and Fees			843,326
Federal and State Grants	3,249	3,821,884	
Interest	6	771	10,412
Other			
Total Revenues	<u>3,255</u>	<u>3,822,655</u>	<u>853,738</u>
Expenditures			
Human Resources			
Operations and Maintenance			1,112
Utilities			
Outside Services			
Educational/Professional			
Capital Outlay		4,864,521	
Principal Payments			1,308,662
Interest Payments			41,107
Total Expenditures	<u></u>	<u>4,864,521</u>	<u>1,350,881</u>
Excess (Deficit) of Revenues over Expenditures	<u>3,255</u>	<u>(1,041,866)</u>	<u>(497,143)</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets			
Proceeds From Debt			
Bond Discount and Issuance Costs			
Transfers In		1,415,492	1,674,023
Transfers Out	(3,249)		(640,000)
Total Other Financing Sources and (Uses)	<u>(3,249)</u>	<u>1,415,492</u>	<u>1,034,023</u>
Changes in Fund Balances	6	373,626	536,880
Fund Balance at Beginning of Year	<u>2,606</u>	<u>174,022</u>	<u>517,986</u>
Fund Balance at End of Year	<u>\$ 2,612</u>	<u>\$ 547,648</u>	<u>\$ 1,054,866</u>

Special Revenue Fund						Total Other Funds in the Aggregate
Animal Control	Parks and Recreation	Contingency	Sales Tax	A&P Commission	911	
\$ 98	\$	\$	\$ 7,806,398	\$ 937,488	\$ 109,921	\$ 8,853,905
	73,495					843,326
45	787	5		12,441	10	3,898,628
34,266	111,983			2,706		24,477
34,409	186,265	5	7,806,398	952,635	109,931	148,955
						13,769,291
263,774	381,966			1,854		647,594
51,400	365,031			893		418,436
5,994	24,932					30,926
5,353	292,642			32,976		330,971
3,247	2,050			2,585		7,882
8,029	194,264			1,647,761		6,714,575
						1,308,662
337,797	1,260,885			1,686,069		41,107
						9,500,153
(303,388)	(1,074,620)	5	7,806,398	(733,434)	109,931	4,269,138
				7,815,000		7,815,000
				(237,155)		(237,155)
313,500	1,301,067					4,704,082
(5,356)	(22,973)		(7,806,398)	(644,680)	(109,929)	(9,232,585)
308,144	1,278,094		(7,806,398)	6,933,165	(109,929)	3,049,342
4,756	203,474	5		6,199,731	2	7,318,480
21,646	456,917	2,855		1,956,934		3,132,966
\$ 26,402	\$ 660,391	\$ 2,860	\$	\$ 8,156,665	\$ 2	\$ 10,451,446

City of Benton, Arkansas  
Other Supplementary Information  
Schedule of Capital Assets  
December 31, 2013 and 2012

	2013	2012
Land and Improvements	\$ 4,842,865	\$ 4,975,787
Buildings and Improvements	22,038,411	13,258,538
Service Facilities and Equipment	6,709,177	6,091,162
Infrastructure	42,452,152	25,818,595
Construction in Progress	2,137,863	13,232,857
Total Capital Assets	<u>\$ 78,180,468</u>	<u>\$ 63,376,939</u>

Note 1: Under the modified accrual basis of accounting, all capital assets are recorded as expenditures in the year in which they were purchased. The schedule above summarizes those assets that qualify as capital assets. Capital assets are valued at cost on the date of purchase, unless donated. Donated capital assets are valued at their estimated fair value on the date donated. Assets are capitalized in accordance with Ordinance 38 of 2004. Any asset with an estimated useful life greater than one year and a value that exceeds the following threshold will be recognized as a capital asset by the City:

Land	All Assets
Land Improvements	\$25,000
Building	\$50,000
Building Improvements	\$50,000
Machinery and Equipment	\$5,000
Vehicle	\$5,000
Infrastructure	\$250,000

# Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council  
City of Benton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund and other funds in the aggregate of the City of Benton, Arkansas, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City of Benton, Arkansas's basic financial statements, and have issued our report thereon dated May 15, 2014. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1(B) and 1(C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1(B) and 1(C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the utilities fund, which is material to other funds in the aggregate.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Yocum, Lovell & Co., P.C.*  
Certified Public Accountants

Benton, Arkansas  
May 15, 2014

# Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report on Compliance with Certain State Acts

Honorable Mayor and City Council  
City Of Benton, Arkansas

We have examined management's assertions that the City of Benton, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the years ended December 31, 2013 and 2012.

- A. Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1998 (Arkansas Statutes 19-5301 – 19-5317);
- B. Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996 (Arkansas Statutes 22-1101 - 22-1108);
- C. Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1256 of 1996;
- D. Bonding of Municipal Officers and Employees, Act 338 of 1955 and Act 677 of 1975 (Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- E. Improvement Contracts Over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995 (Arkansas Statutes 14-611 – 14-614);
- F. Budgets, Purchases Over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995 (Arkansas Statutes 19-4421 – 19-4430);
- G. Investment of Public Funds, Act 273 of 1943; Act 106 of 1973, Act 402 of 1995 and Act 1341 of 2000 (Arkansas Statutes 13-901 – 13-904); and
- H. Deposit of Public Funds, Act 21 of 1935, Acts 57 And 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995 (Arkansas Statutes 13-801 – 13-805).

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.



In our opinion, the City of Benton, Arkansas, complied, in all material respects, with the aforementioned requirements for the years ended December 31, 2013 and 2012.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

*Joakim, Lovell & Co., PLLC*  
Certified Public Accountants

Benton, Arkansas  
May 15, 2014